



FACT SHEET

U.S.-Korea Free Trade Agreement **North Carolina Farmers Will Benefit**

September 2008

The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of North Carolina's agricultural products, including poultry and pork. North Carolina's agricultural exports to all countries, estimated at \$2.1 billion in 2007, supported about 22,380 jobs, on and off the farm. These export sales make an important contribution to the North Carolina farm economy, which had total cash receipts of \$8.7 billion in 2007.

Poultry. Broilers are the state's leading agricultural industry with farm cash receipts totaling \$2.5 billion in 2007, or 28 percent of the state's total. Turkey production accounted for another 6 percent of the total with cash receipts of \$513 million. The nation's third largest exporter, North Carolina's poultry and product exports were estimated at \$365 million in 2007. Poultry producers will benefit from this FTA.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7 to 12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Pork. Hog industry cash receipts were \$1.9 billion in 2007, or 22 percent of the state's agricultural total. North Carolina is the nation's sixth largest exporter of live animals and meats with shipments estimated at \$372 million in 2007. Hog farmers will benefit from this agreement.

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2014. This includes all frozen and processed pork products.
- Date-certain duty-free access allows for U.S. exports to compete on a level playing field with other Korean free trading partners.
- A transparent first-come first-serve safeguard quota for fresh pork bellies and miscellaneous fresh cuts starts growing at 8,250 tons, nearly double current trade volume.

Cotton. North Carolina's cotton growers, with cash receipts of \$252 million in 2007, will benefit from this agreement.

- The FTA will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Soybeans and Products. Farm cash receipts from soybeans totaled \$274 million in 2007 and the soybean and products industry will benefit from this FTA.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans.
- Korea will establish a duty-free quota starting at 10,000 tons for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors. (For comparison, based on trade data, Korea's average 2006 import price for soybeans used for food was \$330 per ton. This markup brings the price for imported quality beans to \$580.)
- Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Vegetables. With vegetable exports estimated at \$27 million in 2007, North Carolina's vegetable growers and processors will benefit from this agreement

- Tariffs on canned and processed tomatoes will become duty free immediately.

For questions about the U.S -Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

*For detailed information on how the Agreement benefits specific commodities, please visit:
<http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>*
